

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lansing Entertainment & Public Facilities Authority		County Ingham	
Audit Date 6/30/05		Opinion Date 8/4/05		Date Accountant Report Submitted to State: 10/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

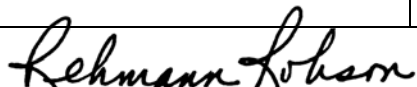
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA				
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI	Zip 48605
Accountant Signature 				

**L A N S I N G  
ENTERTAINMENT &  
PUBLIC FACILITIES  
A U T H O R I T Y**

**(A Component Unit of the  
City of Lansing, Michigan)**

**Lansing, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

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**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



## **INDEPENDENT AUDITORS' REPORT**

August 4, 2005

The Honorable Mayor,  
Members of the City Council, and  
Members of the Board of Commissioners of the  
Lansing Entertainment and Public Facilities Authority  
Lansing, Michigan

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the **LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY** (the "Authority"), a **Component Unit of the City of Lansing, Michigan**, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Lansing Entertainment and Public Facilities Authority, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the GASB has determined is necessary to supplement, although not required to be, part of the basic financial statements.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Net Assets**  
**Enterprise Funds**  
**June 30, 2005**

	<b>Lansing Center</b>	<b>Oldsmobile Park</b>	<b>City Market</b>	<b>Total</b>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 34,549	\$ 31,796	\$ 72,267	\$ 138,612
Accounts receivable, net	532,386	14,235	16,383	563,004
Due from other funds	37,690	7,103	86,304	131,097
Prepaid expenses	53,935	4,282	588	58,805
Inventory	55,825	-	-	55,825
Total current assets	<u>714,385</u>	<u>57,416</u>	<u>175,542</u>	<u>947,343</u>
Noncurrent assets:				
Restricted cash and cash equivalents	383,512	53,497	-	437,009
Restricted accounts receivable	26,854	7,030	-	33,884
Capital assets, net	173,099	18,754	2,047	193,900
Total noncurrent assets	<u>583,465</u>	<u>79,281</u>	<u>2,047</u>	<u>664,793</u>
<b>Total assets</b>	<u>1,297,850</u>	<u>136,697</u>	<u>177,589</u>	<u>1,612,136</u>
<b>Liabilities</b>				
Accounts payable	210,314	86,864	6,866	304,044
Accrued liabilities	120,770	1,107	2,282	124,159
Due to other funds	93,407	32,637	5,053	131,097
Unearned revenue	632,716	-	3,875	636,591
Installment purchases payable, current portion	31,343	-	-	31,343
Total current liabilities	<u>1,088,550</u>	<u>120,608</u>	<u>18,076</u>	<u>1,227,234</u>
Noncurrent liabilities - installment purchases payable, net of current portion	<u>135,885</u>	<u>-</u>	<u>-</u>	<u>135,885</u>
<b>Total liabilities</b>	<u>1,224,435</u>	<u>120,608</u>	<u>18,076</u>	<u>1,363,119</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	5,871	18,754	2,047	26,672
Unrestricted (deficit)	<u>67,544</u>	<u>(2,665)</u>	<u>157,466</u>	<u>222,345</u>
<b>Total net assets</b>	<u>\$ 73,415</u>	<u>\$ 16,089</u>	<u>\$ 159,513</u>	<u>\$ 249,017</u>

The accompanying notes are an integral part of these financial statements.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Revenues, Expenses  
and Changes in Net Assets  
Enterprise Funds  
For the Year Ended June 30, 2005**

	<b>Lansing Center</b>	<b>Oldsmobile Park</b>	<b>City Market</b>	<b>Total</b>
<b>Operating revenues</b>				
Building rental	\$ 926,856	\$ 4,000	\$ 59,882	\$ 990,738
Security	65,442	993	-	66,435
Food services	2,787,999	14,485	-	2,802,484
Equipment rental	572,873	673	420	573,966
Box office	19,067	51,082	-	70,149
Labor/service	153,733	7,445	-	161,178
Trade show utilities	161,084	-	-	161,084
Other	59,695	8,588	20,906	89,189
Total operating revenues	<u>4,746,749</u>	<u>87,266</u>	<u>81,208</u>	<u>4,915,223</u>
<b>Operating expenses</b>				
Personnel services	2,223,522	133,778	60,343	2,417,643
Food and beverage	1,698,508	-	-	1,698,508
Communications	24,005	1,410	967	26,382
Rents and leases	31,000	4,511	-	35,511
Professional services	182,465	6,939	1,445	190,849
Utilities	594,454	70,693	46,197	711,344
Marketing	49,765	27,737	20,075	97,577
Repairs and maintenance	109,435	38,787	17,346	165,568
Supplies and materials	84,408	4,838	2,290	91,536
Insurance	114,127	42,552	2,796	159,475
Events	141,279	18,298	-	159,577
Security	62,244	5,152	11	67,407
Depreciation	81,113	4,029	2,249	87,391
Bad debt expense	54,921	-	-	54,921
Transition expenses	102,446	30,326	1,213	133,985
Other	62,762	23,322	5,199	91,283
Total operating expenses	<u>5,616,454</u>	<u>412,372</u>	<u>160,131</u>	<u>6,188,957</u>
Operating loss	<u>(869,705)</u>	<u>(325,106)</u>	<u>(78,923)</u>	<u>(1,273,734)</u>
<b>Nonoperating revenue (expense)</b>				
Interest income	2,029	509	133	2,671
Income from Common Ground	75,000	-	-	75,000
Annual operating subsidy - City of Lansing	639,981	254,500	72,018	966,499
Interest expense	(7,675)	-	-	(7,675)
Total nonoperating revenue	<u>709,335</u>	<u>255,009</u>	<u>72,151</u>	<u>1,036,495</u>
Change in net assets	<u>(160,370)</u>	<u>(70,097)</u>	<u>(6,772)</u>	<u>(237,239)</u>
Net assets, beginning of year	<u>233,785</u>	<u>86,186</u>	<u>166,285</u>	<u>486,256</u>
<b>Net assets, end of year</b>	<u><b>\$ 73,415</b></u>	<u><b>\$ 16,089</b></u>	<u><b>\$ 159,513</b></u>	<u><b>\$ 249,017</b></u>

The accompanying notes are an integral part of these financial statements.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Cash Flows**  
**Enterprise Funds**  
**For the Year Ended June 30, 2005**

	<b>Lansing Center</b>	<b>Oldsmobile Park</b>	<b>City Market</b>	<b>Total</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 4,900,643	\$ 195,862	\$ 119,424	\$ 5,215,929
Cash received from interfund services	(1,076)	11,084	(211)	9,797
Cash payments for goods and services	(3,229,517)	(314,349)	(97,405)	(3,641,271)
Cash payments to employees	(2,265,292)	(133,678)	(60,287)	(2,459,257)
Cash payments for interfund services	(17,976)	-	8,179	(9,797)
Net cash used for operating activities	(613,218)	(241,081)	(30,300)	(884,599)
<b>Cash flows from noncapital financing activities</b>				
Cash transfers from City and Common Ground	714,981	254,500	72,018	1,041,499
<b>Cash flows from capital and related financing activities</b>				
Proceeds from installment purchase agreements	54,672	-	-	54,672
Payments for acquisition of capital assets	(68,441)	(14,802)	(715)	(83,958)
Payments on installment purchase agreements	(49,736)	-	-	(49,736)
Interest on installment purchase agreements	(7,675)	-	-	(7,675)
Net cash used for capital and related financing activities	(71,180)	(14,802)	(715)	(86,697)
<b>Cash flows from investing activities</b>				
Interest on cash and cash equivalents	2,029	509	133	2,671
Net increase (decrease) in cash and cash equivalents	32,612	(874)	41,136	72,874
Cash and cash equivalents, beginning of year	385,449	86,167	31,131	502,747
<b>Cash and cash equivalents, end of year</b>	<b>\$ 418,061</b>	<b>\$ 85,293</b>	<b>\$ 72,267</b>	<b>\$ 575,621</b>
<b>Reconciliation of operating loss to net cash used for operating activities</b>				
Operating loss	\$ (869,705)	\$ (325,106)	\$ (78,923)	\$ (1,273,734)
Adjustments to reconcile operating loss to net cash used for operating activities:				
Depreciation expense	81,113	4,029	2,249	87,391
(Increase) decrease in accounts receivable	(71,781)	120,096	34,681	82,996
(Increase) decrease in due from other funds	(17,976)	(7,103)	8,179	(16,900)
(Increase) decrease in prepaid expenses	16,942	5,384	348	22,674
(Increase) decrease in inventory	3,103	-	-	3,103
Increase (decrease) in accounts payable	62,257	(45,168)	(214)	16,875
Increase (decrease) in accrued liabilities	(41,770)	100	56	(41,614)
Increase in due to other funds	(1,076)	18,187	(211)	16,900
Increase (decrease) in unearned revenue	225,675	(11,500)	3,535	217,710
Total adjustments	256,487	84,025	48,623	389,135
<b>Net cash used for operating activities</b>	<b>\$ (613,218)</b>	<b>\$ (241,081)</b>	<b>\$ (30,300)</b>	<b>\$ (884,599)</b>

The accompanying notes are an integral part of these financial statements.



**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Fiduciary Net Assets**  
**June 30, 2005**

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	<b>Deferred Compensation Trust Fund</b>	<b>Pension Trust Fund</b>	<b>Total</b>
<b>Assets</b>			
Investments - mutual funds	<u>\$ 1,870,401</u>	<u>\$ 2,878,692</u>	<u>\$ 4,749,093</u>
<b>Net Assets</b>			
Held in trust for pension and other employee benefits	<u>\$ 1,870,401</u>	<u>\$ 2,878,692</u>	<u>\$ 4,749,093</u>

The accompanying notes are an integral part of these financial statements.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2005**

	<b>Deferred Compensation Trust Fund</b>	<b>Pension Trust Fund</b>	<b>Total</b>
<b>Additions</b>			
Contributions			
Employer	\$ -	\$ 219,829	\$ 219,829
Employees	33,845	177,179	211,024
	<u>33,845</u>	<u>177,179</u>	<u>211,024</u>
Total contributions	<u>33,845</u>	<u>397,008</u>	<u>430,853</u>
Investment income:			
Interest and dividends	35,482	53,612	89,094
Increase in fair value of investments	66,863	80,381	147,244
Fees	(2,110)	(1,836)	(3,946)
	<u>100,235</u>	<u>132,157</u>	<u>232,392</u>
Net investment income	<u>100,235</u>	<u>132,157</u>	<u>232,392</u>
Total additions	<u>134,080</u>	<u>529,165</u>	<u>663,245</u>
<b>Deductions</b>			
Participant benefits	40,415	82,545	122,960
	<u>40,415</u>	<u>82,545</u>	<u>122,960</u>
Increase in net assets	93,665	446,620	540,285
Net assets held in trust for benefits, beginning of year	<u>1,776,736</u>	<u>2,432,072</u>	<u>4,208,808</u>
<b>Net assets held in trust for benefits, end of year</b>	<b><u>\$ 1,870,401</u></b>	<b><u>\$ 2,878,692</u></b>	<b><u>\$ 4,749,093</u></b>

The accompanying notes are an integral part of these financial statements.

# LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY

## (A Component Unit of the City of Lansing, Michigan)

### Notes to the Financial Statements

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#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting entity

The Lansing Entertainment and Public Facilities Authority (the “Authority” or “LEPFA”) was established under the charter of the City of Lansing in February, 1996, replacing the former Greater Lansing Convention/Exhibition Authority. LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and Oldsmobile Park under an agreement with the City of Lansing.

The Authority is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of the Authority, all assets and rights of the Authority shall revert to the City of Lansing. The Authority’s Board of Commissioners consists of nine members appointed by the Mayor of the City of Lansing and approved by the City Council, and three ex-officio members.

The Authority is a component unit of the City of Lansing.

##### B. Measurement focus, basis of accounting, and financial statement presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority reports the Lansing Center, Oldsmobile Park and City Market Enterprise Funds as major funds in accordance with GASB Statement No. 34. Each fund accounts for the activities of its respective facility.

Additionally, the Authority reports the following fiduciary funds:

The *deferred compensation trust fund* accounts for the activities of the Authority’s deferred compensation plan.

The *pension trust fund* accounts for the activities of the Authority’s defined contribution pension plan.

# LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY

## (A Component Unit of the City of Lansing, Michigan)

### Notes to the Financial Statements

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for facility rentals, sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **C. Assets, liabilities and equity**

##### ***1. Deposits and investments***

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

The Deferred Compensation and Pension Trust Funds are authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Investments are reported at fair value.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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**2. *Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

**3. *Inventories and prepaid items***

Inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Restricted assets***

Under the terms of the Authority’s operating agreement with the City of Lansing, the Authority is required to restrict \$50,000 annually for capital improvements and/or replacements. Any such monies unexpended shall be carried forward to future years. For the year ended June 30, 2005, all such restricted monies were expended on capital improvements, leaving a zero balance in restricted assets for capital improvements at year end.

Under an amendment to the operating agreement with the City of Lansing, the Authority is also required to maintain an Event Development cash reserve fund to provide a source of monies from which to finance events at Oldsmobile Park. The fund was established by an initial contribution from the City and may be increased up to certain limits by the amount of any profits earned from such events. Restricted assets (i.e., cash of \$53,497 and receivables of \$7,030) for event development amounted to \$60,527 at June 30, 2005.

The Authority’s Board of Commissioners has also established a reserve fund for Lansing Center operations. The balance in this reserve at June 30, 2005 was \$410,366 (including cash of \$383,512 and receivables of \$26,854).

**5. *Deferred compensation and defined contribution pension plan assets***

Deferred compensation and defined contribution pension plan assets are stated at fair value. In accordance with the provisions of GASB Statement No. 32, the deferred compensation plan assets (*see Note III.A.*) are presented in the accompanying financial statements.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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**6. Capital assets**

Capital assets, which is limited to equipment, are stated at cost and are depreciated using the straight line method over the estimated useful lives of the assets ranging from 3 to 10 years. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life of 3 years. Facilities managed by the Authority are owned by the City of Lansing and, as such, the carrying values of these properties are reflected in the City's financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

**Statement of Net Assets:**

Cash and cash equivalents	\$ 138,612
Restricted cash and cash equivalents	437,009
	<u>575,621</u>

**Statement of Fiduciary Net Assets:**

Investments	<u>4,749,093</u>
	<u><b>\$5,324,714</b></u>

Deposits	\$ 550,266
Investments	4,749,093
Cash on hand	<u>25,355</u>
	<u><b>\$5,324,714</b></u>

At year end, the carrying amount of the Authority's deposits was \$550,266. The bank balance of these deposits was \$604,451 of which \$100,000 was insured by the Federal Depository Insurance Corporation (FDIC), and the balance of \$504,451 was uninsured and uncollateralized.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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The government believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the government evaluates each financial institution with which it deposits government funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

As of June 30, 2004, the fair value of the Authority's investments was as follows:

<b><u>Investment Type</u></b>	<b><u>Amount</u></b>	<b><u>Rating</u></b>
<b>Uncategorized:</b>		
Money market funds	\$ 127,986	n/a
Mutual funds:		
Equities	2,723,442	n/a
Fixed income	<u>1,897,665</u>	n/a
	<b><u>\$4,749,093</u></b>	

**B. Transactions with City of Lansing**

The City of Lansing provided annual operating subsidies to the Authority amounting to \$966,499 for the Lansing Center, Lansing City Market and Oldsmobile Park, for the year ended June 30, 2005.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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**C. Receivables**

Receivables are composed entirely of amounts due from customers.

Accounts receivable as of June 30, 2005, net of the applicable allowances for uncollectible accounts, were as follows:

Accounts receivable	\$ 620,147
Less allowance for uncollectible accounts	<u>23,259</u>
<b>Net accounts receivable</b>	<b><u>\$ 596,888</u></b>

The provision for uncollectible accounts is applicable to Lansing Center (\$22,495) and Oldsmobile Park (\$764) accounts receivable.

**D. Capital assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	<b>Beginning of <u>Year</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>End of <u>Year</u></b>
Equipment	\$1,483,729	\$ 83,954	\$ 89,286	\$1,478,397
Less accumulated depreciation	<u>1,286,392</u>	<u>87,391</u>	<u>89,286</u>	<u>1,284,497</u>
<b>Net capital assets</b>	<b><u>\$ 197,337</u></b>	<b><u>\$ (3,437)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 193,900</u></b>

**E. Payables**

Payables are composed entirely of amounts due to vendors, except for \$29,872 payable to the City of Lansing.



**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

**F. Interfund receivables and payables**

<u>Due to/from other funds</u>	<u>Receivable</u>	<u>Payable</u>
Lansing Center	\$ 37,690	\$ 93,407
Oldsmobile Park	7,103	32,637
City Market	<u>86,304</u>	<u>5,053</u>
	<u><b>\$ 131,097</b></u>	<u><b>\$ 131,097</b></u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**G. Long-term debt**

The Authority has entered into various long-term installment purchase agreements. The original amount of installment obligations issued in prior years for the items listed below was \$189,814. New installment obligations of \$54,672 were incurred the current fiscal year. Installment purchase agreements outstanding at year-end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2000 equipment purchases	5.91%	24,393
2002 equipment purchases	5.01%	5,985
2002 equipment purchases	5.62%	41,511
2003 equipment purchases	5.50%	8,094
2004 equipment purchases	4.00%	12,092
2004 equipment purchases	4.90%	20,481
2005 equipment purchases	4.63%	<u>54,672</u>
		<u><b>\$ 167,228</b></u>

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

Changes in installment purchase agreements payable for the year ended June 30, 2005, were as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Installment purchase agreements	<b><u>\$ 162,296</u></b>	<b><u>\$ 54,672</u></b>	<b><u>\$ 49,740</u></b>	<b><u>\$ 167,228</u></b>	<b><u>\$ 31,343</u></b>

Annual debt service requirements to maturity for installment purchase agreements were as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2006	\$ 31,343	\$ 8,030
2007	22,931	6,565
2008	19,128	5,481
2009	19,886	4,422
2010	19,386	3,334
2011-2015	<u>54,554</u>	<u>5,282</u>
<b>Total</b>	<b><u>\$ 167,228</u></b>	<b><u>\$ 33,114</u></b>

### **III. OTHER INFORMATION**

#### **A. Deferred compensation**

The Authority has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, through December 31, 2002 and in lieu of participation in the federal social security system, employees were required to contribute a minimum of 7% of their annual includable compensation as defined in the plan agreement. Effective January 1, 2003, any employee contributions to the plan became voluntary as the required employee contributions in lieu of social security participation were shifted to the defined contribution pension plan described below.

**LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY**  
**(A Component Unit of the City of Lansing, Michigan)**

**Notes to the Financial Statements**

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During the year ended June 30, 1999, the assets of the Authority's deferred compensation plan were transferred to a trust for the exclusive benefit of the participants and their beneficiaries. As management exercises significant control over the investment of plan assets, the Authority has followed the provisions of Statement No. 32 of the Governmental Accounting Standards Board and, accordingly, reports the assets on its financial statements. The value of the plan assets at June 30, 2005 was \$1,870,401 and employee contributions for the year then ended were \$33,845.

**B. Defined contribution pension plan**

The Authority has a defined contribution pension plan covering substantially all full-time employees who have completed 120 days of employment. The Authority contributes 12% of participating employees' annual compensation to the plan. Effective January 1, 2003, employees are required to contribute 7.5% of covered wages as defined in the plan; prior to that date, no employee contributions to this plan were required. Such current employee contributions are in lieu of federal social security participation. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Commissioners. Employee contributions for the year ended June 30, 2005 were \$177,179. Employer contributions for the year ended June 30, 2005 were \$219,829.

Both the deferred compensation and defined contribution pension plans are administered by the Authority.

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

August 4, 2005

Honorable Mayor,  
Members of the City Council, and  
Members of the Board of Commissioners of  
the Lansing Entertainment and Public Facilities Authority  
Lansing, Michigan

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the ***LANSING ENTERTAINMENT AND PUBLIC FACILITIES AUTHORITY, a Component Unit of the City of Lansing, Michigan***, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Lansing Entertainment and Public Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lansing Entertainment and Public Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the City of Lansing and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



August 4, 2005

To the Board of Commissioners of the  
the Lansing Entertainment and Public Facilities Authority  
Lansing, Michigan

We have audited the financial statements of the Lansing Entertainment and Public Facilities Authority for the year ended June 30, 2005, and have issued our report thereon dated August 4, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter dated May 23, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Lansing Entertainment and Public Facilities Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Lansing Entertainment and Public Facilities Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Lansing Entertainment and Public Facilities Authority are described in Note 1 to the financial statements. During the year ended June 30, 2005, the District implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", which provides for modified disclosures for cash and investments held. We noted no transactions entered into by the Lansing Entertainment and Public Facilities Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts is based on historical loss levels and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining it is reasonable in relation to the financial statements taken as a whole.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Lansing Entertainment and Public Facilities Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Lansing Entertainment and Public Facilities Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Lansing Entertainment and Public Facilities Authority's financial reporting process.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Lansing Entertainment and Public Facilities Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive, flowing style with a large initial 'L'.



# **Lansing Entertainment and Public Facilities Authority**

## **Comments and Recommendations**

**For the Year Ended June 30, 2005**

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During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated August 4, 2005, on the financial statements of the Lansing Entertainment and Public Facilities Authority.

### **Internal Controls – Segregation of Duties**

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Authority's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many organizations of similar size, the Authority lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Authority's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Authority's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

# **Lansing Entertainment and Public Facilities Authority**

## **Comments and Recommendations (Concluded)**

**For the Year Ended June 30, 2005**

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### **Internal Controls – Journal Entry Approval Process**

In connection with the implementation of Statement on Auditing Standards (SAS) No. 99, *Consideration of Fraud in a Financial Statement Audit*, we performed certain audit tests relative to the Authority's internal controls over various audit areas. In this new SAS, the AICPA reminds auditors that management is often in the best position to perpetrate and conceal fraud by overriding internal controls and/or inappropriate use of journal entries. As a part of our procedures, we reviewed the Authority's process for generating and authorizing journal entries and also reviewed support for several journal entries. During our testing, we noted that a formal documentation of management's review of journal entries was not present, although management indicated that such a review was performed on all journal entries. We recommend that the Authority establish a formal procedure for documenting the independent review of all journal entries.

\* \* \* \* \*